Opportunity, Education & Washington's Economic Future

Washington State Board for Community & Technical Colleges

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MAY 2004

WASHINGTON STATE BOARD FOR COMMUNITY & TECHNICAL COLLEGES

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Design by Joanne Lauterjung Kelly
Produced by Bellevue Community College Printing Services

Introduction

Higher education in Washington faces several simultaneous challenges. Most of these challenges stem from increasing demand for education at both the two-year and four-year institutions at a time when public resources are very limited.

This report is based on detailed analyses conducted by the community and technical college system, available on the State Board's web site at **www.sbctc.ctc.edu**. It revisits the basic role and mission of the two-year colleges in the context of the current and changing economy and the changing population, demographic, and social environment within which the colleges are being asked to serve their communities' higher education needs. An assessment of the niches of the two-year colleges is followed by an analysis of the value of serving the demand in each of the colleges' three main mission areas. For each of the missions, this analysis is followed by an assessment of the magnitude of the need, and the associated costs to the state and to students.

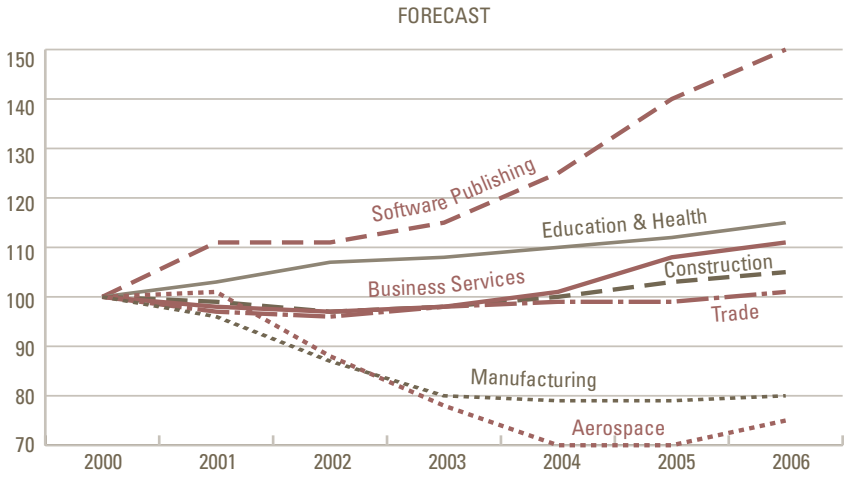
High stakes for both higher education and the state

In today's knowledge-driven economy, the economic future of our citizens and our state depends more than ever on keeping higher education accessible. But Washington's entire higher education system is bursting at the seams, and demand for enrollments at two-year colleges alone is projected to increase by 31,000 in the next decade.

Already, Washington's competitiveness is constrained by a lack of skilled workers in health care, high tech industries, agriculture, and many other economic sectors. Many employers report skill gaps that keep them from expanding, force them to hire workers from other states, or create incentives for outsourcing to other countries. Washington faces the prospect of losing high-wage, high-skill jobs unless these skill shortages are closed quickly.

Washington's economy is in the midst of significant structural change. Manufacturing and aerospace industries are declining, while information technology, biotechnology, health care, and professional and technical services are growing. At the same time, our competitors in other countries are developing more educated workforces, and are increasingly capable of using today's technology to erase the disadvantage of distance from global markets. In this era, providing access to education and job training is an economic survival strategy. Washington employers need highly-skilled workers to stay competitive – and they need new and different skills than they needed in the past.

Forecast shows continued structural changes in Washington's economy.



Employment Changes Predicted for Major Industry Sectors from Year 2000

Source: Office of Forecast Council, February 2004

A review of the projected population growth and the needs of the economy shows that the state will need an increased number of people with bachelor's degrees. As the state develops strategies to provide additional baccalaureate capacity, the implications for the two-year colleges are significant. Because over 40 percent of bachelor's degree earners in this state begin as community college transfer students, a baccalaureate strategy must include building increased lower-division capacity at the two-year colleges and improving transfer and

articulation relationships between and among the institutions. This is vital to ensure that the overall system serves the needs of students effectively and efficiently.

At the same time, the issue of illiterate and underprepared adults impacts many areas -- from providing a competitive workforce, to ensuring that welfare reform efforts are successful, to ensuring that all adults are effective members of our economy and society. Given the magnitude of illiterate adults and immigrants who do not speak English adequately, the potential demand for these services is high and contributes to the overall demands on two-year colleges.

"The state is challenged to sustain —much less expand—the funding needed to meet growing demand and maintain quality."

The crisis is here

Our entire postsecondary education system – including community and technical colleges, four-year colleges, and research universities – is stretched beyond capacity, and students often can't get into the classes they need. Tuition costs are rising, and the state is challenged to sustain – much less expand – the funding needed to meet growing demand and maintain quality. This is leading to a crisis that will affect communities throughout Washington.

This publication is designed to help citizens and policy-makers understand the nature of the challenges we face, and the role of community and technical colleges in meeting them.

The community and technical college system

The goals of the community and technical colleges are to promote opportunity, prosperity, and lifelong learning. Two-year colleges work to achieve these goals by focusing on four missions:

1. Providing students with a wide array of job training programs and employers with well-prepared employees;
2. Providing students with rigorous academic programs that comprise the first two years of college so they can transfer to four-year institutions for the final two years of study that will lead to a baccalaureate degree;
3. Providing adults with basic literacy skills, high school completion and GED courses, and English as a Second Language (ESL) instruction, so they can succeed as breadwinners, citizens, and parents; and
4. Providing student-financed classes that foster cultural and personal enrichment.

Today's community and technical colleges have evolved from early vocational and junior colleges run by local school districts into a comprehensive, statewide system of 34 institutions that serves nearly 500,000 people each year.

In the Community College Act of 1967 – and in revisions to the Act in 1991, when technical colleges joined the system – the Washington State Legislature has clearly articulated that the purpose of the community and technical college system is to "offer an open door to every citizen, regardless of his or her academic background or experience, at a cost normally within his or her economic means," and to combine "high standards of excellence in academic transfer courses; realistic and practical courses in occupational education...community services of an educational, cultural and recreational nature; and adult education, including basic skills and general, family, and workforce literacy programs and services."

For a growing proportion of Washington's adults and young people, community and technical colleges can make the difference between poverty and prosperity. And for Washington's employers and economy, community and technical colleges can make the difference between economic stagnation and expanding productivity and profits.

THE CHALLENGES WE FACE

Rising demand

The 1967 Community College Act was adopted to provide educational opportunity to the post-war baby boom. Today, the children of the baby boom – the baby boom echo – are entering college. Washington is preparing for the largest high school graduating classes in history. At the same time, baby boomers themselves, who have been in the workforce for many years, are returning to the classroom to update their skills or to retrain for new careers. A growing number of adults with college degrees are enrolling in two-year colleges to learn job-specific skills. Others are entering to learn the basic reading, writing, math, and computer skills they need to survive in today's job market. In addition, a growing population of immigrants is swelling the demand for ESL instruction and job training.

In order to estimate possible future two-year college enrollment demand, a wide variety of factors were considered and analyzed.

1. **Population Growth** – Based on projected state population growth over the next decade, and assuming that college-going patterns remain unchanged, it is estimated that by 2012 over 12,000 additional full-time equivalent students (FTES) will seek access to state-funded programs.

2. **Demographic Trends** - Three significant demographic changes likely to affect future two-year college demand have been identified:

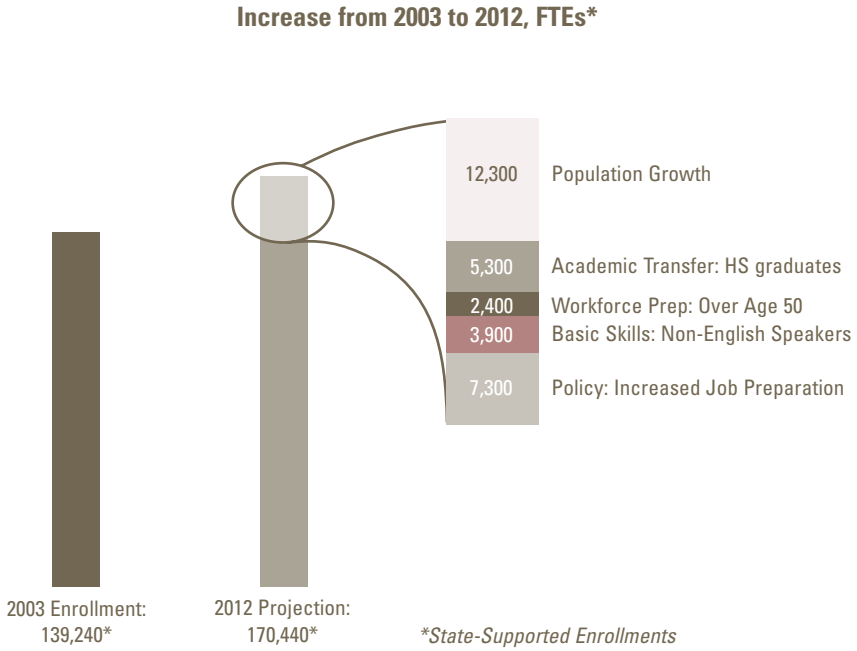
   - An increasing share of high school graduates choose to attend two-year colleges, and this trend is expected to continue;
   - Baby boomers, who due to extended life expectancy and changing Social Security eligibility are likely to work far longer than their predecessors, will require updated workforce skills, and because this is such an enormous population, even a small change in behavior will produce a large reaction; and
   - Increasing diversity in the workforce of the future will drive increasing needs for adult basic education and English language training.

   These demographic shifts could drive additional enrollment demand totaling almost 12,000 FTES by 2012.

3. **Prepare More Students for Work** – One of the key mission goals of the CTCs is to increase the number of students who are ready for work. As an example of how policy goals can affect enrollment demand, this plan reflects the potential impact of an initiative to increase success rates of growing segments of the population who enter two-year colleges without high school level skills. If colleges could increase student retention and success, this policy initiative could require capacity to serve over 7,000 additional full-time students.

The chart below summarizes potential future enrollment demand based upon population growth and demographic and policy shifts.

Two-year colleges' enrollment projected to increase by 31,200 by 2012.



Projections for State-Supported Enrollments Based on Population Growth, Demographics & Policy Changes, 2003-2012

Source: SBCTC Finance Office, 2003

A complete description of factors and methodology for this forecast can be found at **www.sbctc.ctc.edu**

Policy Implications

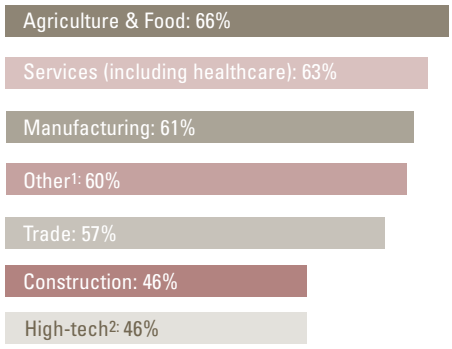
Policy-makers should provide additional access to accommodate the growing number of Washington's citizens who want to increase their educational skills to improve their economic condition.

Workforce Development– A Changing Economy

The knowledge-based economy has raised the bar for everyone who seeks a family wage job. There are virtually no good jobs – or opportunities to climb a career ladder – for people without some level of postsecondary education or job training. Nor is there any hope of sustaining the state's economy or employment base without a highly educated workforce.

Washington faces the threat of companies leaving the state – or outsourcing work to other countries – because they cannot find locally-trained staff.

Washington employers still report a skills shortage.



Percent of Firms by Industry Group Reporting Difficulty Finding Qualified Applicants

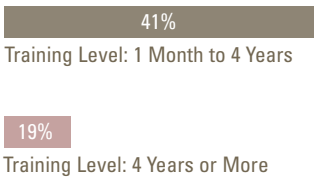
Source: Workforce Training & Education Coordinating Board, January 2002

[1] *Other, not elsewhere classified, includes transportation and public utilities, communication, gas, electric and sanitary services, finance, insurance, real estate, and public administration.*

[2] *High-tech includes biotechnology; computers and computer equipment; computer programming, software and maintenance; electronics; precision equipment and instruments; telephone communications; research and testing.*

The biggest need is for people with more than a high school education but less than a bachelor's degree.

Majority of job openings in Washington require postsecondary education, but most require education and training that two-year colleges provide.



Total Job Openings
Training Levels Required for 2000-2008 Washington Job Openings

Source: Workforce Training & Education Coordinating Board, January 2002

In the past, prosperity was the product of natural capital in the form of resources, such as fish, farmland and forests, and industrial capital that sustained a robust manufacturing sector. Today, the single most important resource for creating and sustaining prosperity is brain power – the ability to innovate, to use new technologies to increase productivity, and to make fast and flexible adjustments to changing global markets.

Every enterprise – from farming to biotechnology – is challenged to develop and use new technologies to increase productivity. Jobs requiring the ability to tolerate long hours of simple, repetitive tasks are disappearing and being replaced by jobs that require high levels of literacy and math, technical skill, discerning judgment, and teamwork.

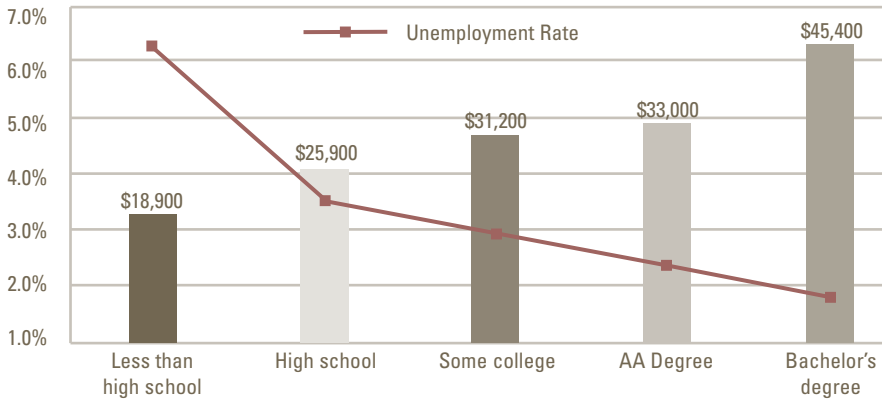
This means that postsecondary education is no longer optional; it is required for success in this new century.

At the beginning of the 20th century, an eighth grade education was the norm. At that time, farsighted state policy-makers recognized that the shift from an agrarian to an industrial economy required more: it required the expansion of public education to include high school.

The beginning of the 21st century requires an equally far-reaching change: the expansion of public education to include the postsecondary education and training that is required for the transition from the industrial economy to the knowledge-driven economy.

Moreover, the knowledge-based economy is changing the way we think about the relationship between learning and working. In the past, students "front loaded" education in their lives – that is, they got an education first, and then launched their careers. Today, students need both a solid educational foundation to begin their careers and continuing access to education and training throughout their working lives.

More education leads to higher wages and lower unemployment.



U.S. Unemployment & Wages by Education Level

Sources: Average annual earnings, U.S. Census Bureau, earnings in 1999 dollars

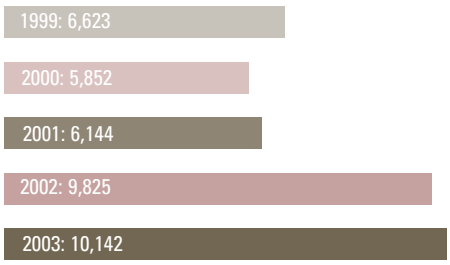
Unemployment rates, U.S. Department of Labor, Bureau of Labor Statistics, 2000
(Unemployment rate for bachelor's degree also includes those with advanced degrees.)

Economic development policy-makers in Washington are struggling to reduce the economic disparity between urban and rural areas of the state, and to craft programs that respond to the unique competitive advantages of various regions. Community and technical colleges are key players in this evolving policy picture.

In each region, local industries have specific workforce training needs – needs ranging from trained winemakers to computer-literate technicians who can operate and maintain climate-controlled warehouses for Washington fruit. Community and technical colleges are able to respond quickly to these local and regional needs because each two-year college has a network of advisory groups that involve business, labor and community leaders in identifying and responding to workforce needs and opportunities. Preserving – and expanding – this responsiveness to the needs of a changing local economy is vital if the colleges are to continue to play a key role in monitoring the economic health of their local communities.

Community and technical colleges also serve employers directly with specialized training programs provided on college campuses and in workplaces. These contract training programs provide the specific skills training employers need, when and where they need them.

The current struggle to stimulate economic recovery and job creation is, of course, an immediate and urgent problem. The persistent economic downturn of the last few years has simultaneously shrunk state revenue and expanded demand for education. Today, some of our state's regions still have both high unemployment and shortages of trained workers that impede the expansion of local enterprises. In many instances – health care is one of several examples – the programs needed to train these workers involve laboratory work and other high-cost features that exceed the financing community and technical colleges receive from the state. The following chart documents the growth the colleges have experienced in the worker retraining program over the last five years—growth that continues to be driven by the restructuring of Washington's economy.



Two-year College Worker Retraining FTE
State Supported Fall Quarters

Source: SBCTC Fall Enrollment & Staffing Report, 2003

Two-year colleges provide retraining to growing number of dislocated workers.

Welfare reform, implemented in 1998, identifies work as the primary strategy and first step to help families raise their incomes, reduce the dependence on welfare and overcome poverty. Community and technical colleges support this goal by providing customized training programs. Each year, these programs increase the number of welfare recipients and other low-income adults trained, and the number of business partners involved. Participants who complete these short-term training programs consistently have higher employment rates and earn higher

starting wages than other welfare program participants going to work. An independent University of Washington study reported that adults receiving welfare who completed training in 2000-01 earned $628 per quarter ($2,512 per year) more and were 14 percent more likely to be employed than other welfare recipients going to work. This short-term training was redesigned in 2002-03 to accelerate and combine basic literacy, English as a Second Language and job training. In addition to customized training, colleges provide tuition assistance that has increased access to training for welfare recipients and low-income working parents, and literacy and parenting programs for young welfare mothers.

For more information on the changing Washington economy and the two-year colleges' role in developing and maintaining a competitive workforce, go to **www.sbctc.ctc.edu**

POLICY IMPLICATIONS

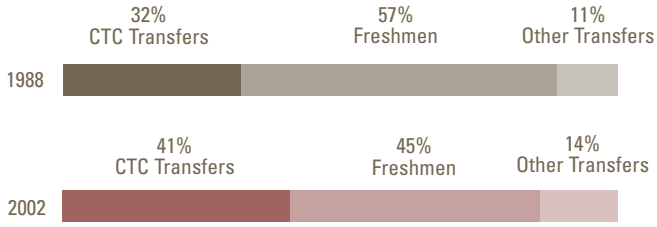
The changing Washington economy requires a competent workforce – with major growth in jobs that will require more than a high school diploma but less than a baccalaureate degree.

The two-year college role is vital and can be documented in terms of job placement, earnings, growth in programs in high-demand occupations, and closing the skilled labor force gap.

This portion of the two-year college mission must continue to be a priority, both for the colleges and for the state-level policy and financial decision-makers.

The Two-Year College Role in Meeting the Growing Need for Bachelor's Degrees

The demand for bachelor's degrees is overwhelming the capacity of four-year institutions, not to mention family budgets. A growing share of students take their first two years of classes toward a baccalaureate degree in community colleges. Research shows that when these students transfer to four-year institutions, they do as well academically as students who entered those schools as freshmen. And their first two years of college cost less both to their families (in lower tuition) and the state (in lower per-student appropriations) than they would at a university.



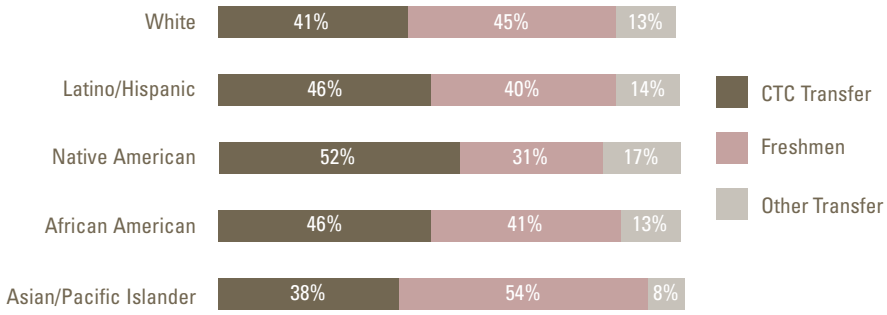
% of Bachelor's Degrees by Transfer Status

Source: Office of Financial Management

More than 41% of bachelor's degree graduates begin at two-year colleges.

- 14,000 students transfer from two-year colleges every year.
- 41% of public bachelor's degrees earned by transfer students in 2002, up from 32% in 1988.

Community and technical colleges offer a unique way to provide lower division education to citizens of the state and have made it possible for thousands of students to earn bachelor's degrees who would not otherwise have been able to do so. Sixty-one percent of transfer students are first-generation college students, and 20 percent are people of color. Many were not prepared to enter universities directly from high school, but successfully remediated their deficiencies in math and writing and demonstrated their ability to succeed in college-level coursework while at two-year colleges.



Race & Ethnic Diversity of Public Baccalaureate Graduates by Transfer Status
Baccalaureate Graduating Class of 2000-2001

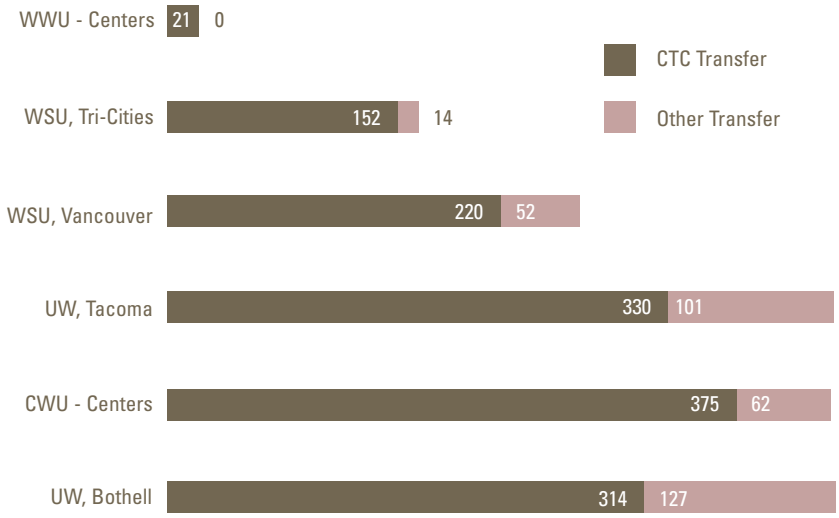
Source: Role of Transfer in the Bachelor's Degree at Washington Public Baccalaureate Institutions, June 2003.

Two-year college students increase diversity at universities.

Community and technical colleges play key roles in communities with low access to bachelor's degrees. Working together, university branch campuses, university centers located on community college campuses, and community and technical colleges have successfully improved access to baccalaureate degrees in their regions, especially for place-bound adults.

Community and technical colleges host university centers with Central Washington University, Western Washington University, Eastern Washington University, Washington State University, and City University. These centers offer bachelor's degrees in teacher education, business, accounting, nursing, engineering technology, management, and criminal justice. These and other partnerships between two- and four-year colleges are the least expensive way for students to earn baccalaureate degrees.

Two-year colleges work with universities to expand access to bachelor's degrees.



Branch Campus & University Center Graduates by Transfer Status
Class of 2000-2001

Source: SBCTC Education Services Division, 2003

Transfer students complete competitive university majors. Business, engineering, computer science, math and science are among the top five majors completed by community and technical college transfer students. One-half of new teachers are transfer students.

In the past, students who successfully completed their first two years of study in community colleges were guaranteed entry into the state's public universities. This policy, however, is jeopardized by the state's inability to respond to the growth in demand—which has not allowed growth in upper-division capacity in the public universities.

POLICY IMPLICATIONS

Demand for baccalaureate degrees will continue, and a broader study of the content and magnitude of demand needs to be conducted by the Higher Education Coordinating Board.

Two-year colleges' delivery of lower-division classes provides unique benefits to students and the state. These include lower costs, higher proportions of first-generation college students, greater racial diversity, greater socio-economic diversity, and higher proportions of returning working adults.

The community and technical colleges' role in baccalaureate instruction is significant (41 percent of baccalaureate degrees have been awarded to students who started at a community college) and should be considered when the state studies options to expand baccalaureate degree capacity.

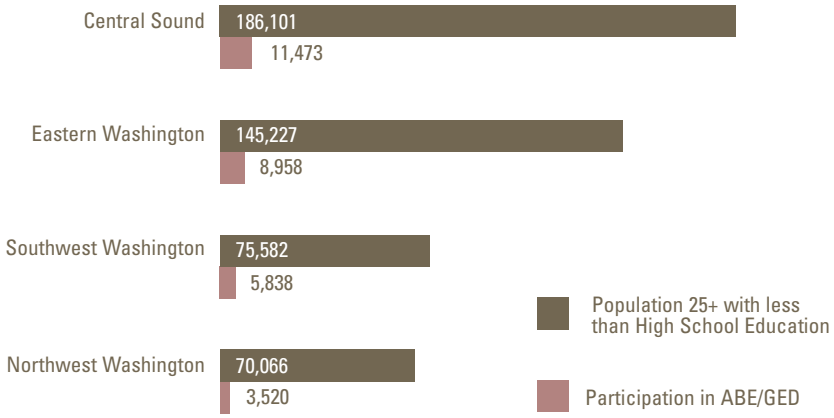
More space will be needed at the state's public universities to accommodate the growing number of students who are predicted to transfer to four-year institutions in the next decade.

An expanded discussion of the role community colleges play in baccalaureate instruction can be found at **www.sbctc.ctc.edu**

BASIC SKILLS AND LITERACY NEEDS

Many Washington adults lack high school diplomas and basic skills.

Higher workplace literacy requirements have created new demand for basic reading, writing, math and computer courses. There are 485,000 adults in Washington who lack high school diplomas, and the number of jobs available to them is shrinking rapidly. Unless they have access to education, this under-educated population and their children will become further impoverished and dependent on government health and social services.



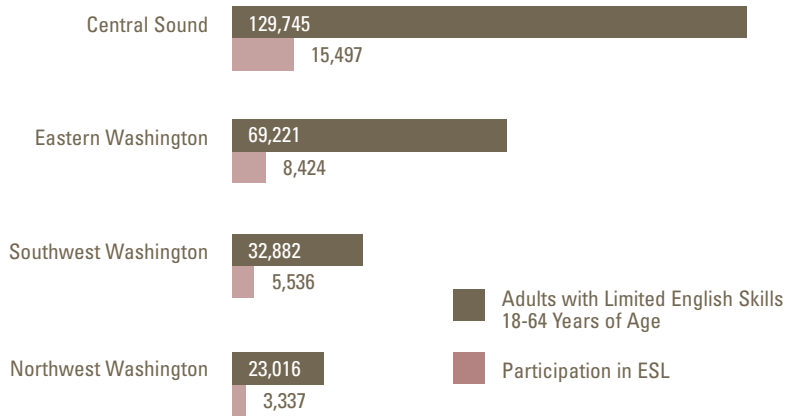
Adults with Less Than HS Education and ABE/GED Participation 1999-2000

Source: U.S. Census Bureau 2000 and SBCTC Education Services Division, 2003.

Even low-wage jobs in industries ranging from health care to agriculture now require proficiency in English, math and basic computer skills, and many of these jobs also require specific training. Yet the people who need these jobs and the education to get them are underserved, because pre-college level courses do not qualify for financial aid. Although colleges do not charge full tuition for basic skills programs, most very low income students need help with living expenses, transportation, and child care in order to stay in school. Typically, these students have a difficult time balancing the competing demands of school, work and family. They often work multiple part-time jobs, have irregular work hours that sometimes conflict with school, and lack the social support systems necessary to cope with minor emergencies such as an ill child.

Washington employers need these workers. The workforce is growing very slowly, and the demand for literate, skilled workers is outstripping the supply. In some industries, such as health care, this is creating a crisis that will grow out of control as the baby boom generation retires. Washington's economy simply doesn't have any workers to spare, and it cannot afford to leave this under-educated population behind.

The increasing level of immigration to our state has created an increase in the demand for English as a Second Language instruction. More than 255,000 Washington adults speak limited English and could benefit from English as a Second Language instruction.



Adults with Limited English Skills and Participation in ESL, 1999-2000

Source: U.S. Census Bureau 2000 and SBCTC Education Services Division, 2003.

English as a Second Language participation falls far short of reaching needs of state.

In today's economy, bilingual workers are in greater demand than ever before and the native languages of immigrants are important assets – assets that can only be fully utilized when immigrants master the English skills they need to navigate the culture and economy of today.

The growing population of new Americans requires substantial changes in the way community and technical colleges teach. Historically, ESL students have been unlikely to stay in school long enough to progress to technical or professional training or college degrees. Now, two-year colleges are creating special programs that combine ESL with vocational training to accelerate student progress and prepare these students for the Washington job market.

POLICY IMPLICATIONS

Washington's society and economy will not tolerate under-prepared adults as it has in the past.

The changing demographics of the state are increasing demand for literacy and English as a Second Language.

The colleges and the state must develop ways to effectively and successfully finance and deliver courses to these non-traditional college students, and develop financial aid mechanisms to enable the students to attend and complete programs in order to be productive participants in the economy and society.

An expanded discussion of the basic skills and literacy needs of Washington's population can be found at **www.sbctc.ctc.edu**

TWO-YEAR COLLEGE RELATIONSHIPS WITH THE K-12 SYSTEM

In the past decade, K-12 reform has changed the paradigm of public education from measuring and rewarding attendance to measuring and rewarding academic achievement. The public schools have clear academic standards, and assessments that tell us whether students are meeting them. This focus on competency rather than class time is producing steady gains in student learning. It is also creating new pressures on the entire higher education system to be more purposeful and explicit about what it expects students to know and be able to do as a result of each course they take.

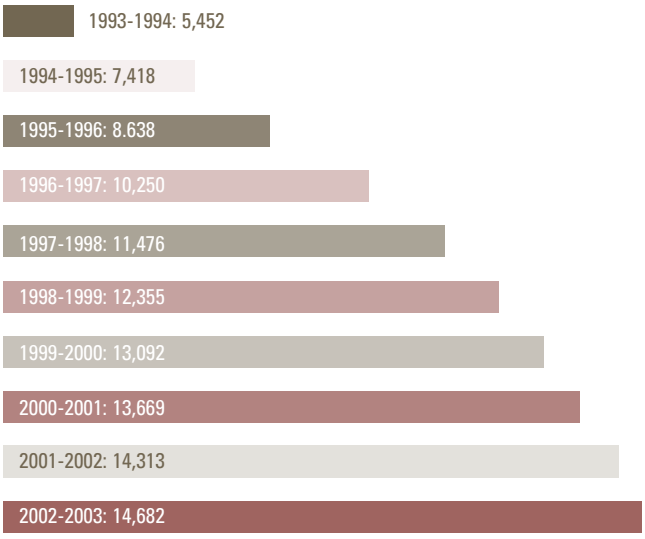
The community and technical college system has some programs that have embodied this way of thinking about learning. Apprenticeship programs and technical skills programs are the pioneers of competency-based education. Today, the focus on competency and clear standards continues to expand, but this expansion requires new ways of doing business, new skills for faculty, and new relationships among public schools, community and technical colleges, and four-year institutions. The transition to competency-based higher education requires investments of time, expertise and policy development.

K-12 reform promises another change as well. Although 80 percent of students enrolled in remedial courses are older adults, 20 percent are recent high school graduates. Roughly half of students entering community and technical colleges within three years of high school take at least one remedial course, most often in math. But beginning with the graduating class of 2008, all high school students will be required to demonstrate that they have mastered the skills and knowledge spelled out in Washington's statewide academic standards. This change will save money for students and the state by ensuring that high school graduates are prepared to do college-level work.

Still, there is more work to do to smooth transition from high school to postsecondary education. Even students who meet the new high school academic standards will need to take additional high school math classes to be ready to do college-level math. Many high school students are not getting the message that community and technical colleges have the same math requirements as four-year colleges – and that these requirements are often the same for both academic and technical programs. An aggressive informational campaign is being undertaken to make sure all high school students understand these requirements.

Dual-enrollment programs are also helping many students move through high school faster, and during their junior and senior years to get a "Running Start" on postsecondary education by earning college credits while they are still in high school. The Running Start program allows students to do this without paying tuition. This accelerated learning saves parents and taxpayers more than $57 million each year. Similar programs provide "college in the high school" classes that offer both high school and college credit. These programs promise to

accelerate learning and save money for a growing number of students. However, one of the clear implications of K-12 education reform and the administration of the Washington Assessment of Student Learning (WASL) test in grade 10 is the demand that a variety of dual enrollment options be made more available to students in grades 11 and 12. The following chart displays the growth in Running Start enrollments over the past decade.



Running Start Annual Headcount

Source: SBCTC Running Start Annual Report, 2003.

The Running Start program serves more students every year.

POLICY IMPLICATIONS

Two-year college courses and programs must continue the expansion of competency-based instruction with clear academic standards.

The two-year colleges, K-12 schools, and four-year universities must continue efforts to revise and articulate curriculum to reduce the amount of math remediation that recent high school graduates will require.

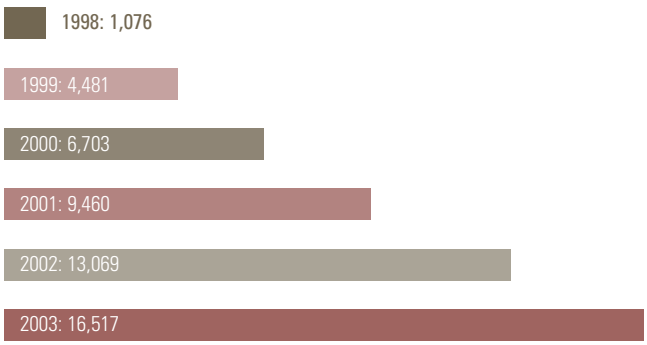
Expanded availability of a variety of dual-enrolled options must be made available to students in grades 11 and 12.

NEW METHODS OF DELIVERING INSTRUCTION

Students in higher education today are often "non-traditional," enrolling either part-time or full-time while balancing job or personal responsibilities around their class schedules. In many areas of the state, students need to enroll at off-campus locations or take classes on a "distance" basis to accommodate the geographic isolation of their residences. There also is a growing demand for a wide diversity of classes—classes that may not be offered at local college locations—which means the ability to enroll in courses offered by other community and technical colleges around the state allows students to meet their diverse curriculum needs. All of these factors have led to a dramatic increase in the number of distance education courses offered by the two-year colleges in the state of Washington.

Online learning and other distance-learning technologies are challenging higher education systems all over the world to respond in new ways to the demands of the knowledge-driven economy. These technologies open doors of opportunity for thousands of students who are place-bound and who balance work and family obligations with learning. Internet-based classes in the community and technical college system are filled to capacity. These courses are often taught solely in the "online" mode, serving the needs of both distance students and students in urban or suburban areas who are simply managing their class schedules around their personal schedules. A second growing form of Internet classes is the "hybrid" model, which is a mixture of classroom and online instruction designed to capitalize on the strengths of both modes to serve the needs of students. But while these programs solve some problems, they create new ones. Expanding these programs requires more faculty training in how to teach online and careful coordination of course offerings across all levels of the higher education system.

Enrollment in online courses is growing rapidly.



Fall Quarter Headcount

Source: SBCTC Data Warehouse, 2003

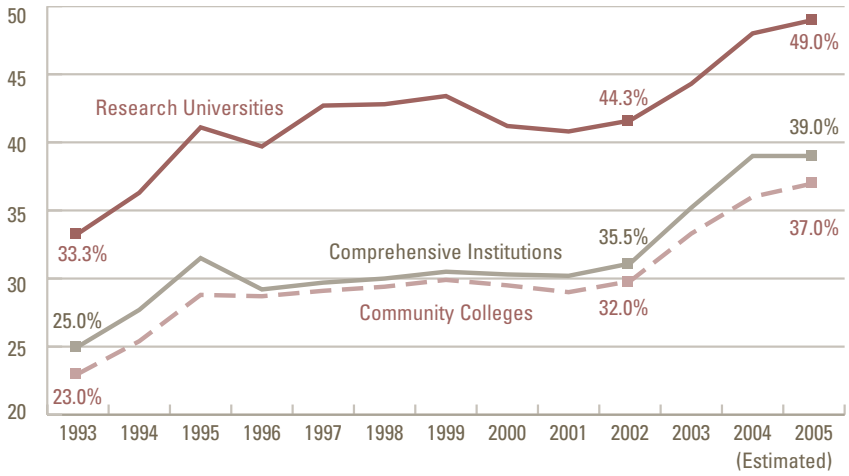
POLICY IMPLICATIONS

The changing needs of both traditional and non-traditional college students make it imperative that the community and technical colleges continue to expand distance course offerings and develop support systems to ensure that online instruction is user-friendly to students throughout the state.

Rising College Costs and Student Tuition Policy

When a sluggish economy reduces state revenue, college budgets are cut and tuition goes up. This shifts some of the burden of college costs from the state to students.

Two-year college students' share of the cost has increased over time: 32% in 2002 vs. 23% a decade ago.

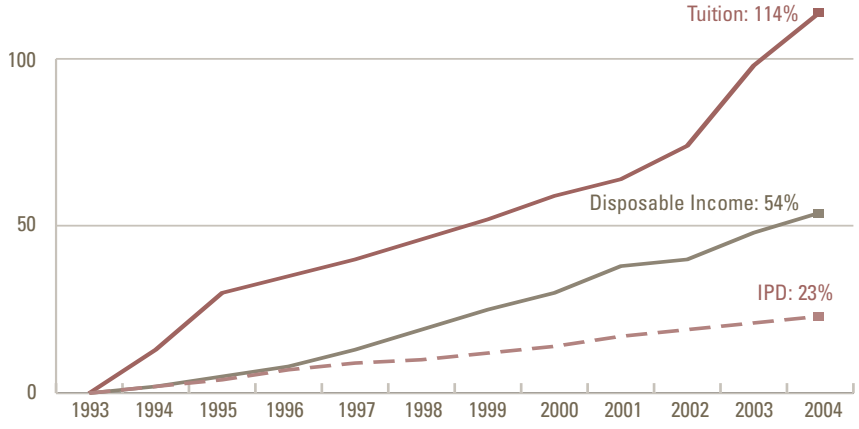


Full Tuition Paying Student Receiving No Waiver

Source: Higher Education Coordinating Board, 2003

A high-tuition, high-financial aid policy may be appropriate for the universities, but it poses serious problems for two-year colleges. Shifting costs to students only makes sense if there is adequate financial aid so that the open door remains open to all. But many of those who come to community and technical colleges do not qualify for financial aid. Moreover, the average income of two-year students is significantly lower than their counterparts in four-year schools, requiring that financial aid be available to a larger proportion of the student population.

Growth in Washington two-year college tuition outpaced inflation in the past decade.



IPD = Implicit Price Deflator (Common Measure of Inflation)

Source: SBCTC Finance Office, 2003

Rising tuition contradicts the basic premise of the Community and Technical College Act – that education should be available to every Washington resident "at a cost normally within his or her economic means." For many students, financial aid is unavailable. Today's financial aid system was designed for "traditional" students; that is, recent high school graduates who enroll full-time with the intention of earning a degree or skill certificate. Adult low-wage, working students often don't qualify for financial aid because they take less than six credit hours per quarter, or because they are enrolled in short-term training programs that make them ineligible, or because they are taking literacy or pre-college courses that are not eligible for traditional forms of financial aid.

And rising tuition is only one part of the problem. Non-traditional students have needs different from young people just out of high school. Many need child care in order to attend class. Most need counseling to choose educational and vocational goals. But these are the services most likely to be cut when budgets must be stretched to accommodate growing numbers of students. The unfortunate result is that those who could benefit most from education – low-wage, working parents – have the least access to it.

Reduced appropriations for two-year colleges are also counter-cyclical, because demand for job retraining and education is at its highest level when the economy is at its lowest ebb—with more potential students unemployed or under-employed, thus leaving them less able to afford high tuition.

POLICY IMPLICATIONS

Continuation of the state's "low tuition" policy is appropriate for the two-year colleges and the economic and demographic characteristics of the students they serve.

An expanded discussion on tuition and financial aid can be found at **www.sbctc.ctc.edu**

Accountability for continuous quality improvement

The community and technical college system's periodic accountability report is available online at

www.sbctc.ctc.edu

For the past several years, the community and technical college system has exceeded its performance goals for increasing the number of students who leave the system prepared for work or transfer to four-year colleges, or who have achieved significant skill gains in ESL or basic literacy skills. These goals were set in collaboration with the state legislature to challenge colleges to achieve better outcomes for students and accelerate progress toward closing the skill gaps that impede economic growth.

Colleges are committed to being held accountable to the public for making the best possible use of its investment in this system. But continuing to meet these goals will become more difficult as rising demand collides with restricted growth in funding.

Funding Needs of the Two-year College System

Operating budget

To ensure access for over 31,000 additional state-supported enrollments that will come to the community and technical colleges by the year 2012, the legislature will need to make critical investments along the way to fully fund the additional state-supported enrollments and retain and develop quality faculty and staff in the two-year college system. An average of $62 million per year will need to be added to the two-year system's budget through 2012 to fully fund this plan. The following is a breakdown of the total costs needed:

$707 million is needed to provide adequate compensation for faculty and staff of the two-year college system. This will require an average annual increase of $27 million in additional resources for the two-year college system. This includes:

- $440 million for cost-of-living adjustments. At the heart of the two-year college system are the faculty and staff who provide quality programs and services. To retain and recruit high-quality individuals, the two-year college system must be provided with sufficient funding to ensure its employees are appropriately compensated.
- $55 million is needed to fully fund all earned increments. Faculty work hard to enhance their knowledge, skills and abilities in this rapidly-evolving, knowledge-based economy. College instructors enhance their knowledge and abilities by learning on the job and by taking additional classes. Knowledge is evolving, and higher education institutions need to provide appropriate incentives to ensure that their faculty are keeping up.
- $213 million is needed over the next ten years to close the pay gap by 3 percentage points per year between part-time and full-time faculty. This phased approach will close the gap between full-time and part-time pay rates and will achieve a long-standing college system goal.

$952 million is needed to adequately fund new enrollments through 2012. This will require an average annual increase of $35 million in additional resources to the two-year college system. With this funding colleges will:

- Meet student demands in existing academic, workforce, and basic skills programs;
- Invest in emerging programs;
- Provide intensive team teaching for basic skills students who need language and vocational skills integrated into one classroom experience;
- Provide much-needed counseling, library, and disability services that have been put on hold in recent years so that colleges could divert their diminishing resources to direct instructional programs.

Investments Needed for the Community and Technical College System Through 2012

	Additional Enrollment Costs per Year	Add'l Compensation Costs per Year	Total Additional Costs per Year
FY 2006	$32 M	$22 M	$54 M
FY 2007	$65 M	$46 M	$111 M
FY 2008	$99 M	$71 M	$170 M
FY 2009	$134 M	$98 M	$232 M
FY 2010	$170 M	$126 M	$296 M
FY 2011	$207 M	$ 156 M	$363 M
FY 2012	$245 M	$188 M	$433 M
TOTAL	**$952 M**	**$707 M**	**$1,659 M**

Source: SBCTC Finance Office, 2003

The new enrollment portion of the plan will cost $952 million. These additional students will generate tuition revenue to help offset the cost to the state. By pegging tuition increases to the annual change in per capita disposable income, it is assumed that tuition will be increased an average of 4.1% per year. This will generate approximately $185 million in tuition from new students.

The compensation portion of the plan will cost the state $707 million through FY2012. Therefore, the total cost of the plan is $1.66 billion, with $185 million offset by tuition from new students. This leaves a need for state support totaling $1.48 billion over the decade.

If the plan is not fully funded, colleges will be required to make trade-offs between employee compensation and enrollment growth. In the current budget environment, the two-year system faces annual cuts to the base budget, mandates to serve targeted programs, and an overall expectation that they will continue to serve all students. As a result, colleges are serving more students with fewer resources while cost of living increases (COLAs) are frozen. Without substantial investments in the two-year college system, enrollment demand can only be met by further relying on part-time faculty, increasing student-faculty ratios, and foregoing pay increases for faculty and staff. This is not a sustainable formula for meeting the needs of 31,000 additional students who will want access to the two-year college system.

An expanded discussion of the community and technical college system's operating budget can be found at **www.sbctc.ctc.edu**

POLICY IMPLICATIONS

To achieve economic well-being for the state and the kind of future we want for our children and grandchildren, policy-makers will need to establish higher education as a funding priority and continue to provide opportunity for those who need access to higher education and adequate compensation for those who provide the education and training.

Capital Budget

The capital budget provides the 34 community and technical colleges with funding to maintain and preserve state owned facilities, upgrade educational spaces to address changing programs and meet the needs of students, local communities and businesses, and construct new facilities to accommodate future enrollment. The capital requests of the two-year colleges are balanced among 1) preservation, 2) growth, 3) capital repairs and minor improvements, and 4) reduction of the capital backlog. This capital analysis focuses on state-funded investments and provides a framework to understand the nature of the projected capital needs and their cost impact on the capital budget for two-year colleges.

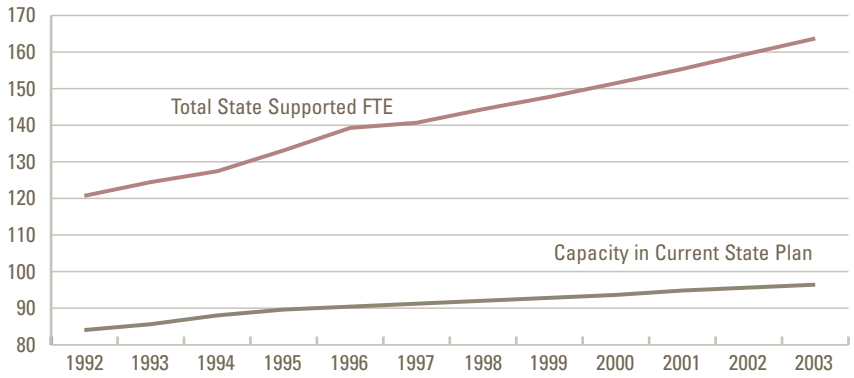
Upgrading existing space through renovation and replacement

The previous discussion of the changing needs of students and the new and revised instructional programs has major implications for the current facilities on two-year college campuses. These changes are driving aggressive strategies to revamp the existing physical plants of the individual colleges.

An analysis of the system's 2003 Facility Condition Survey shows that there are approximately 3.6 million square feet of space in need of renovation and 1.8 million square feet of space in need of replacement. The capital process focuses on renovating or replacing the worst buildings first, but at this level of need it will take 15 years and $1.35 billion to complete this work.

Keeping up with enrollment growth

Coupled with renovation/replacement strategy is the need to add instructional capacity to accommodate the growth forecast in this plan. The current Capital Analysis Model (CAM) evaluates future growth through 2012. It directs investment based on population trends and current participation rates. Some of this growth has been addressed in growth projects already under construction or in design phases planned for construction completion by 2009. The following graph highlights the significant difference between demand and capacity for state-supported FTEs.



State Supported FTES—Demand vs. Capacity
Excludes: Running Start, International Students, Contract Programs
Source: Higher Education Coordinating Board, 2003

Two-year college enrollments greatly exceed facility capacity.

The system anticipates that 2,170,000 square feet of space (a total of $759 million and a 14 percent increase over the current level) will be required to address growth needs through 2012. This will require full funding of all projects currently appropriated, plus another $275 million in new projects to be identified for completion by 2012.

What impacts will this have on future capital?

The budget required to reduce the capital backlog and to accommodate projected growth and program changes is significant. The following table provides a breakdown of the total square footage and capital investment needed in current dollars to address these fundamental needs.

Capital investment needed to upgrade facilities and meet projected student demand.

Building Capacity and Improving Existing Educational Space

Reducing Capital Backlog	Sq. Ft. (Million)	Est. Cost* (Current $)
Upgrade Facilities	3.6	$720 Million
Replace Failed Buildings	1.8	$630 Million

Building Capacity for Growth	Sq. Ft. (Million)	Est. Cost* (Current $)
Population/Participation	2.2	$759 Million
Changing Demographics	0.8	$256 Million

**10-year plan estimated cost. Source: SBCTC Finance Office, 2003*

Expressed in terms of a biennial appropriation, the average biennial request would need to be approximately $120 million more than appropriated in 2003-05. This level of investment would be sustained over the next 10-15 years and is expected to inflate at approximately three percent per year. The following table highlights the cost by category of expenditure.

State's capital investment needs to be increased each biennium to keep pace.

Capital Budget Need

	2003-05 Budget	Est. Avg. Biennial Request	Add'l Need
Minor Works - Preservation	$49 Million	$51 Million	$2 Million
Minor Works - Program	$37 Million	$25 Million	$(12 Million)
Upgrade Facilities	$77 Million	$120 Million	$43 Million
Replace Failed Buildings	$70 Million	$100 Million	$30 Million
Support Growth	$147 Million	$204 Million	$57 Million
TOTAL CAPITAL NEEDED	**$380 Million**	**$500 Million**	**$120 Million**

Source: SBCTC Finance Office, 2003

Again, this is the estimated biennial cost. The current high utilization of classrooms and labs is assumed to be sustained. Newer facilities will provide a better and more flexible educational environment to support changing programs and enrollment growth.

POLICY IMPLICATIONS

Policy-makers will need to address the changing facilities required to meet the needs of the future numbers of students and the kinds of instruction required in the workplace.

The community and technical college system should continue to prioritize the needs of the system to support the capital investment decision processes of the governor and legislature.

An expanded discussion of the future capital needs of the community and technical college system can be found at **www.sbctc.ctc.edu**

EDUCATION = OPPORTUNITY

The hallmark of the community and technical college system is that it focuses solely on teaching and learning. Two-year colleges do not screen out students who lack a track record of past academic success; they offer opportunity "to all who might benefit," regardless of their current skill level.

The essential value of the two-year colleges is the belief in every person's ability to learn, grow and move up in the world, regardless of where they are from, what obstacles they have faced in life, and where they need to start.

Community and technical college students are as diverse as Washington communities. Two-year colleges serve a small but growing number of people who have graduated from college but lack the specific skills they need to get a job. They serve bright, young high school students getting a Running Start on college; working adults who need new skills to progress in their careers; adults who need basic literacy, math and computer skills; immigrants eager to speak English, and parents seeking a way off welfare.

All of these people come to learn. They come because it is the universal nature of humans to learn throughout their lives. And they come because Washington has a long history of valuing education as the single most essential strategy for achieving equal opportunity and prosperity.

That's why it's so important to keep the door of Washington's community and technical college system open. This will sustain America's promise of hope, opportunity, and upward mobility for everyone who is willing to work hard and learn new skills. It is the surest way to accelerate economic recovery and sustain growth in every region of the state. And it is the most effective way to ensure success in the 21st century for the children of today and tomorrow – children who will take for granted a level of technology and global economic competition that people can scarcely imagine today.

EVERY WORKER COUNTS

To ensure prosperity in this new century, Washington cannot afford to leave anyone behind. A high-skill, high-wage economy requires a highly-skilled, well-educated workforce. This is a path to a prosperous future.

A higher percentage of high school graduates will need postsecondary education and job training. More people will need to earn bachelor's and graduate degrees. The state will need to provide more educational opportunities for the 400,000 Washington adults who lack a high school diploma. And as the population of immigrants grows, the state will need to expand enrollments in ESL.

If Washington fails to meet this challenge, there can be no doubt that the long-term consequences will include falling family incomes, economic stagnation, and the flight of good jobs to other states and countries.

Investment in Washington's citizens and their education will ensure a strong state economy and a bright future for all. Providing equal opportunity for all is a fundamental American value and the state must continue to offer educational opportunity and hope for all of its citizens. Placing a priority on higher education is at the heart of the future economic vitality of the state. Citizens, educators and policy-makers must work together to find a way to invest in our collective future.